

Vocabulary – Ch 5 The Free Enterprise System QUIZ

<u>Competition</u> –	The struggle between companies for customers.
<u>Price Competition</u> –	Focuses on the price
<u>Nonprice Competition</u> –	Factors not related to price such as quality, service, location, reputation.
<u>Monopoly</u> --	When there is no competition and one firm controls the whole market. U.S. Government allows only a few such as utility companies.
<u>Risk</u> –	The potential for loss or failure in relation to the potential for improved earnings.
<u>Profit</u> –	The money earned from conducting business after all costs and expenses have been paid. In general, the potential for profit increases as risk increases.
<u>Demand</u> –	Refers to consumer willingness and ability to buy products.
<u>Supply</u> –	The amount of goods producers are willing to make and sell.
<u>Law of Supply</u> –	Price and quantity supplied move in the same direction. As prices rise, so will the quantity supplied.
<u>Law of Demand</u> –	Price and quantity demanded move in the opposite direction. As price increased, the quantity demanded decreases.
<u>Surpluses</u> –	Occur when supply exceeds demand
<u>Shortages</u> –	Occur when demand exceeds supply
<u>Equilibrium</u> –	The amount being supplied is equal to the amount being demanded. Supply and demand are balanced.
<u>Government Services</u> --	Provides police, education, public libraries, social welfare system.

Government's Roll as a Regulator – Making laws to protect people.

Consumers – Decides whether a business will survive.